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## BEFORE THE ARIZONA CORPORATION CO

## COMMISSIONERS

Arizona Corporation Commission

DOCKETED

MAY 27 2011

GARY PIERCE- Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

DOCKETED BY

IN THE MATTER OF THE APPLICATION  
OF Q MOUNTAIN MOBILE HOME PARK  
DBA Q MOUNTAIN VISTA WATER FOR  
APPROVAL OF A RATE INCREASE.

DOCKET NO. W-02518A-10-0227

DECISION NO. 72394ORDER

Open Meeting  
May 24 and 25, 2011  
Phoenix, Arizona

## BY THE COMMISSION:

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the  
Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACTProcedural History

1. On May 19, 2010, Q Mountain Mobile Home Park dba Q Mountain Vista Water ("Q Mountain" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase.<sup>1</sup> Q Mountain's application proposes no change in its total test year operating revenue of \$49,560.

2. On May 20, 2010, Q Mountain filed additional information related to its application.

3. On June 7, 2010, Q Mountain filed compliance items related to Commission Decision No. 71466 (January 26, 2010).

4. On June 18, 2010, the Commission's Utilities Division ("Staff") filed a Letter of

<sup>1</sup> On February 20, 2009, Q Mountain filed an application with the Commission (Docket No. W-02518A-09-0076) requesting an emergency rate increase. Q Mountain later sought to withdraw the emergency rate application and in Decision No. 71466 (January 26, 2010), the Commission granted the request to withdraw the application. However, the Decision ordered Q Mountain to file a full rate case on or before May 31, 2010, using a 2009 test year.

1 Deficiency, stating Q Mountain's application had not meet the sufficiency requirements outlined in  
2 the Arizona Administrative Code ("A.A.C").

3 5. On July 6, 2010, Q Mountain filed responses to the Letter of Deficiency and Staff's  
4 Data Request, as well as additional compliance items related to Commission Decision No. 71466.

5 6. On August 6, 2010, Staff issued a Letter of Sufficiency, stating Q Mountain's  
6 application had met the sufficiency requirements of the A.A.C. and stating that Q Mountain had been  
7 classified as a class E utility.

8 7. On October 5, 2010, Staff filed a Staff Report on the application, recommending an  
9 increase in rates and charges.

10 8. On October 15, 2010, Q Mountain filed a letter stating that it was preparing a notice to  
11 be sent to Q Mountain customers, showing Staff's recommended rates and charges. The letter also  
12 requested that Q Mountain be given the opportunity, at a later date, to comment on some of Staff's  
13 recommendations.

14 9. On November 4, 2010, Q Mountain filed a copy of the notice provided to its  
15 customers of Staff's proposed rates and charges.

16 10. On December 2, 2010, Staff filed a Supplement to the Staff Report, clarifying and  
17 revising the Deferred Payment charge shown in Schedule CSB-4.

18 11. On February 14, 2011, by Procedural Order, Staff and Q Mountain were directed to  
19 file briefs discussing the appropriateness and legal authority of the Town of Quartzsite's imposition  
20 of the \$750 assessment and billing of Q Mountain customers. Staff was also encouraged to contact  
21 the Town to confer on the issues raised in the Procedural Order.

22 12. On March 11, 2011, Q Mountain filed its response to the February 14, 2011,  
23 Procedural Order.

24 13. On March 17, 2011, Staff filed a response to the February 14, 2011, Procedural Order.

25 **Compliance Issues**

26 14. In Commission Decision No. 71466 ( January 26, 2010), Q Mountain was ordered to  
27  
28

1 file, as a compliance item, a full rate case by May 31, 2010, using a 2009 test year.<sup>2</sup> Q Mountain's  
2 rate case filing in this docket is in compliance with Decision No. 71466.

3 15. The emergency rate case, resulting in Decision No. 71466, involved Q Mountain  
4 receiving notification from the Arizona Department of Environmental Quality ("ADEQ") that the  
5 nitrate levels in its wells exceeded the maximum contaminant levels.<sup>3</sup> According to Q Mountain, the  
6 water was not safe for drinking or cooking; property owners were notified; and an alternative water  
7 source needed to be found.<sup>4</sup> Through negotiations with the Town of Quartzsite ("Town"), Q  
8 Mountain was able to "tie in" to the Town's water system, using 680 feet of pipe, a meter, and a  
9 backflow device.<sup>5</sup> The cost of the interconnection infrastructure was estimated to be \$74,302.<sup>6</sup> The  
10 cost associated with the "tie in" was to be assessed to each property owner in the form of a \$750 per  
11 lot<sup>7</sup> Capacity Fee. Q Mountain ultimately interconnected to the Town's water system and the Town  
12 began billing Q Mountain customers directly for the Capacity Fee.<sup>8</sup>

13 16. Decision No. 71466 directed Q Mountain to file "an accounting of any Hook-Up Fees  
14 or Capacity Fee charges collected from its customers that were not authorized by this Commission,  
15 and such accounting shall include the name of the customer, the date and amount collected, any  
16 refund amounts, and whether interest was paid to the customer."<sup>9</sup> In compliance with the Decision, Q  
17 Mountain filed the required documentation with its rate case application in this docket.<sup>10</sup>

18 17. Staff reviewed the documentation provided by Q Mountain and stated that Q Mountain  
19 customers sent the Capacity Fee payments directly to the Town; approximately 20 customers are  
20 declining to pay the Capacity Fee; the Town is allowing Q Mountain customers to pay the Capacity Fee  
21 at the rate of \$12.50 per month for five years; and if the total amount of the Capacity Fee has not been  
22 paid within five years the Town will place a lien on the customers' property.<sup>11</sup>

23  
24 <sup>2</sup> See, Generally Decision No. 71466.

25 <sup>3</sup> Decision No. 71466 at 3.

26 <sup>4</sup> Decision No. 71466 at 3.

27 <sup>5</sup> Id. at 4.

28 <sup>6</sup> Staff Report Docket No. W-02518A-09-0076 at Attachment 1. Staff states the \$74,302 includes an Engineering fee of \$9,732.50, \$2,000 road ownership fee and construction expenses of \$62,569.00.

<sup>7</sup> Id.

<sup>8</sup> Id.

<sup>9</sup> Id. at 7.

<sup>10</sup> Staff Report at 4.

<sup>11</sup> Staff Report at 4.

1        18.     In Decision No. 71466, the Commission expressed concerns with respect to the proper  
2 ratemaking treatment for the infrastructure put in place to connect Q Mountain to the Town's water  
3 system.

4        19.     As part of its analysis, Staff reviewed a copy of an executed Water Supply,  
5 Construction, Operation, and Maintenance Agreement ("Agreement") between the Town and Q  
6 Mountain.<sup>12</sup> Staff found that the interconnection plant does not belong to Q Mountain; it is not  
7 located on Q Mountain property or in its service territory; and that the Town is responsible for all  
8 repair, maintenance, and operation of the interconnection plant.<sup>13</sup>

9        20.     Staff reviewed the \$74,302 costs related to the interconnection with the Town and  
10 found those costs reasonable and appropriate.<sup>14</sup>

11       21.     Staff concluded that Q Mountain's exclusion of the cost of the interconnection plant  
12 from plant-in-service is appropriate.<sup>15</sup>

13       22.     Based on Staff's analysis that the interconnection plant does not belong to Q  
14 Mountain; it is not located on Q Mountain property or in its service territory; and that the Town is  
15 responsible for all repair, maintenance, and operation of the interconnection plant, we believe Staff  
16 and the Company's proposal not to include that plant in rate base is appropriate under the  
17 circumstances.

18       23.     Staff further recommends that Q Mountain, on a going-forward basis, maintain its  
19 books and records in accordance with National Association of Regulatory Utility Commissioners  
20 Uniform Systems of Accounts.

21       24.     As verified by Staff, Q Mountain is current on all property and sales taxes.<sup>16</sup>

22 ...

23 ...

24 ...

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26 <sup>12</sup> Id. at 5.

27 <sup>13</sup> Staff Report at 5.

<sup>14</sup> However, Staff did not make a determination as to the specific future treatment for rate base. Staff Report Docket No. W-02518A-09-0076, at Attachment 1, at 1.

<sup>15</sup> Id.

28 <sup>16</sup> Rate Application at 6. Staff Report at 4.

25. The Commission's records show that for the period beginning January 1, 2007 to September 20, 2010, Q Mountain had four complaints.<sup>17</sup> Staff states that all complaints have been resolved and closed.<sup>18</sup> Further, three opinions have been docketed opposing the rate increase.<sup>19</sup>

#### Rate Application

26. Q Mountain is an Arizona non-profit homeowner's association, authorized to provide water utility service to 224 metered residential customers located in the Q Mountain Mobile Home Park, in Quartzsite, Arizona.

27. Q Mountain's initial CC&N was granted in Commission Decision No. 56484 (May 17, 1989) and Q Mountain is currently operating under its original rates and charges.<sup>20</sup>

28. On May 19, 2010, Q Mountain filed the above-captioned rate case, requesting no increase in its current rates and charges.

29. The rates and charges for the Company at present, as proposed in the Application, and as recommended by Staff are as follows:

	Present Rates	- Proposed Rates - Company	Staff
<b><u>MONTHLY USAGE CHARGE:</u></b>			
5/8" x 3/4" Meter	\$12.00	\$12.00	\$14.00
3/4" Meter	18.00	18.00	21.00
1" Meter	30.00	30.00	35.00
1-1/2" Meter	60.00	60.00	70.00
2" Meter	96.00	96.00	112.00
3" Meter	180.00	180.00	210.00
4" Meter	300.00	300.00	350.00
6" Meter	600.00	600.00	700.00
<b>Gallons Included in Monthly Customer Charge:</b>	0	0	0
For all meter sizes			
<b><u>COMMODITY RATES:</u></b>			
(per 1,000 gallons for all usage)	\$2.00	\$2.00	N/A
0 to 2,000 gallons	N/A	N/A	\$2.00
2,001 to 8,000 gallons	N/A	N/A	3.70
8,001 gallons and over	N/A	N/A	6.00

<sup>17</sup> Staff Report at 4. The Complaints were related to an installation delay, customer deposit, tariff charge, and billing dispute.

<sup>18</sup> Id.

<sup>19</sup> Id.

<sup>20</sup> In 1991, Q Mountain filed an application with the Commission for a permanent rate increase in order to meet compliance with Decision No. 56484, but the Company did not request an increase in rates and no increase was granted.

**SERVICE LINE AND METER INSTALLATION CHARGES:**

(Refundable Pursuant to A.A.C. R14-12-405)

	<u>Company</u>		<u>Service Line</u>	<u>Staff Proposed</u>	
	<u>Current</u>	<u>Proposed</u>		<u>Meter</u>	<u>Total</u>
5/8" x 3/4" Meter	N/A	N/A	N/A	N/A	N/A
3/4" Meter	N/A	N/A	N/A	N/A	N/A
1" Meter	N/A	N/A	N/A	N/A	N/A
1-1/2" Meter	N/A	N/A	N/A	N/A	N/A
2" Meter	N/A	N/A	N/A	N/A	N/A
3" Meter	N/A	N/A	N/A	N/A	N/A
4" Meter	N/A	N/A	N/A	N/A	N/A
6" Meter	N/A	N/A	N/A	N/A	N/A

**SERVICE CHARGES:**

	<u>Present Rates</u>	<u>Proposed Rates</u>	
		<u>Company</u>	<u>Staff</u>
Establishment	\$ 35.00	\$ 35.00	\$ 35.00
Establishment (After Hours)	45.00	45.00	45.00
Reconnection (Delinquent)	50.00	50.00	50.00
Reconnection (Delinquent and After Hours)	N/A	N/A	N/A
Meter Test (if correct)	20.00	20.00	20.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-Establishment (Within 12 Months)	**	**	**
NSF Check	10.00	10.00	10.00
Deferred Payment	1.5%***	1.5%***	1.5%***
Meter Re-Read (If Correct)	\$10.00	\$10.00	\$10.00
Late Fee	N/A	N/A	N/A

\* Per Commission Rule A.A.C. R14-2-403(B).

\*\* Months off system times the monthly minimum (R14-2-403(D)).

\*\*\* Per month

N/A Not Applicable

30. Q Mountain did not propose a fair value rate base ("FVRB") that differs from its original cost rate base ("OCRB"), which it states is \$9,553. Q Mountain waived its rights to Reconstruction Cost New Depreciated Rate Base.<sup>21</sup>

31. Staff recommends an upward adjustment to Q Mountain's OCRB of \$9,553, to \$14,779, for an increase of \$5,226.<sup>22</sup> Staff's adjustments to Q Mountain's rate base reflects an increase in plant-in-service of \$860 to capitalize plant Staff believed to be inappropriately expensed;

<sup>21</sup>Rate Application at 6.<sup>22</sup> Staff Schedule CSB-2.

1 an increase in accumulated depreciation of \$20 to reflect the depreciation of the capitalized plant-in-  
2 service; and the addition of a working capital allowance of \$4,385.<sup>23</sup>

3 32. Q Mountain's application proposes no change in its total test year operating revenues  
4 of \$49,560.<sup>24</sup>

5 33. Staff recommends total operating revenues of \$66,770, an increase of \$17,709, or 36.1  
6 percent above the Staff-adjusted test year revenues of \$49,061. Staff's adjusted test year revenues of  
7 \$49,061 reflect an operating loss of \$11,035.<sup>25</sup>

8 34. Staff's adjustments to total test year operating revenues include: a decrease in metered  
9 water revenue of \$709 from \$49,560 to \$48,851, to reflect treatment of prepayments from seasonal  
10 customers as metered water revenue before the revenue is actually earned, and an increase of \$210  
11 for revenue the Company received for establishment of service charges.

12 35. Staff adjustments to operating expenses result in a net increase of \$3,141, from  
13 \$56,955 to \$60,096. Staff's adjustments reflect an increase in salaries and wages by \$4,800 to cover  
14 the monthly salary for a bookkeeper; an increase in purchased water expenses of \$12,929;<sup>26</sup> a  
15 decrease in repairs and maintenance expenses of \$860;<sup>27</sup> a decrease in outside services of \$11,894;<sup>28</sup>  
16 a decrease in water testing expenses of \$1,360;<sup>29</sup> a decrease in depreciation expense of \$524 to reflect  
17 Staff's recommended depreciation rates and plant balances; and an increase in income tax expense of  
18 \$50 to reflect that the Company pays a minimum tax in that amount.<sup>30</sup>

19 ...

20  
21 <sup>23</sup> According to Staff, the cash working capital is calculated by taking 1/8<sup>th</sup> of the operating expenses less depreciation,  
22 taxes, purchased power, and purchased water expenses plus 1/24<sup>th</sup> of purchased power and purchased water expenses. SR  
at 7. Staff has previously stated that, for Class D and E utilities, Staff recommends the utility have a positive cash  
working capital allowance. See Staff Report Docket No. W-03211A-08-0621.

<sup>24</sup> Rate Application at 6.

<sup>25</sup> Staff Schedule CSB-1.

23 <sup>26</sup> Staff states the adjustment reflects a \$1,436.50 water base fee from the Town of Quartzsite, which went into effect in  
24 September of the test year. Staff's recommendation reflects three months of the base fee reflected in the test year and  
adds \$12,929 (for the remaining 9 months) to annualize the fee. Staff Report at 7.

<sup>27</sup> Staff's adjustment removes costs for installing meters and service lines, from repair and maintenance expenses, and  
25 places them in the appropriate plant accounts. Staff Report at 7.

<sup>28</sup> Staff reduced expenses for outside services related to legal representation for litigation of the emergency rate case. Staff  
26 normalized the expense of \$16,302.97, using five years (the number of years Staff expects the Company to file another rate  
case), allowing only one-fifth, or \$3,261 of the total amount. In addition to the \$3,261, Staff's adjustments to outside services  
also include \$860 (legal expenses for water issues), \$2,400 (operator fees), \$1,380 (meter reading), \$680 (CPA services), and  
27 \$827 (Misc.), for a total decrease to outside services expenses of \$11,894. Staff Schedule CSB-3 at 2.

<sup>29</sup> Staff's decrease in water testing reflects Staff's calculation of an estimated \$630 annual water testing costs. Staff's  
28 Engineering Report, Exhibit KS at 8.

<sup>30</sup> Staff Schedule CSB-3.

1        36.     Staff believes that its recommended operating income of \$6,674 provides sufficient  
2 cash flow to allow Q Mountain to pay for operations, maintenance, unexpected and/or sudden repairs,  
3 or replacement costs.<sup>31</sup> Staff's recommended revenue results in a rate of return of 45.16 percent<sup>32</sup> for  
4 an operating margin of 10 percent.

5        37.     Q Mountain proposed no changes to its rate design, which includes no gallons in the  
6 minimum and a commodity rate of \$2.00 per thousand gallons for all usage.<sup>33</sup>

7        38.     Staff recommends restructuring Q Mountain's rate design to an inverted commodity  
8 rate structure, with break over points at zero to 2,000 gallons, 2001 to 8000 gallons, and 8001 gallons  
9 and above.<sup>34</sup>

10       39.     According to Staff, out of Q Mountain's 224 customers, 89 are full time residents and  
11 the remaining 135 are seasonal.<sup>35</sup> Staff believes that Q Mountain's current rate design is heavily  
12 impacted by the number of seasonal customers and that monthly revenues generated must be stable  
13 enough to pay for annual expenses for water plant and management and operation fees.<sup>36</sup> Under Q  
14 Mountain's current rate design, 65 percent of revenues are generated from the monthly minimum and  
15 35 percent from the commodity charge.<sup>37</sup> Staff recommends that the majority of revenues continue to  
16 be generated from the monthly minimum, but that the percentages reflect 56 percent from the  
17 monthly minimum and 44 percent from commodity charges.<sup>38</sup>

18       40.     Staff concurs with Q Mountain's proposed charges for Establishment (\$35);  
19 Establishment after hours (\$45); Delinquent Reconnection (\$50); Meter Test if correct (\$20); Not  
20 Sufficient Funds (\$10); and Meter Re-Read (\$10).<sup>39</sup>

21       41.     Under Q Mountain's current rates, a customer with a 5/8 x 3/4 inch meter, and median  
22 usage of 1,760 gallons, would incur monthly charges of \$15.52.<sup>40</sup>

23 \_\_\_\_\_  
24 <sup>31</sup> Staff Schedule CSB-3.

<sup>32</sup> Staff Schedule CSB-1.

<sup>33</sup> Rate Application at 9.

<sup>34</sup> See Staff Schedule CSB-4.

<sup>35</sup> Staff Report at 9.

<sup>36</sup> Id.

<sup>37</sup> Staff Report at 9.

<sup>38</sup> Id.

<sup>39</sup> See, Staff Schedule CSB-4.

<sup>40</sup> Staff Schedule CSB-5. The Staff Report indicates that Q Mountain's current and proposed commodity rate is \$2.25; however, Q Mountain's application, as well as Staff's CSB-5, reflects a commodity rate of \$2.00. Rate Application at 9. According to Staff, Q Mountain only serves 5/8 x 3/4 inch meter customers. Staff Report at 4.



42. Under Staff's recommended rates, a customer with a 5/8 x 3/4 inch meter, and median usage of 1,760 gallons incurs an increase from \$15.52 to \$17.52, an increase of \$2.00, or 12.9 percent.<sup>41</sup>

43. The Company proposes no charges for the installation of meters and service lines. Staff does not oppose the Company's proposal not to charge for those services.<sup>42</sup>

44. Staff's recommendations are reasonable and should be adopted.

### Water System

45. According to Staff's Engineering Report, Q Mountain's wells and storage and pressure tanks have been disconnected from the Company's distribution system and Q Mountain's distribution system is now connected to the Town's water system.<sup>43</sup> Staff reports that Q Mountain purchases all of its water from the Town through a 6-inch master meter.<sup>44</sup> Because Q Mountain now purchases all water from the Town, ADEQ has reclassified Q Mountain as a Consecutive Community System to the Town water system; however Q Mountain remains responsible for operating and maintaining its distribution system, metering, and billing for water sold to its customers.<sup>45</sup>

46. Staff reported that Q Mountain has an average annual water use of 105 gallons per day ("GPD"), per connection.<sup>46</sup>

47. According to Staff, Q Mountain reported that it purchased 9,796,000 gallons of water and sold 8,460,076 gallons in 2009, resulting in a non-account water loss of 13.6 percent.<sup>47</sup> Staff recommends that non-account water loss be 10 percent or less. Based on the information provided by Q Mountain, Staff recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce its water loss to 10 percent or less.<sup>48</sup>

<sup>41</sup> Staff Schedule CSB-5.

<sup>42</sup> According to Staff, the developer of the subdivision installed service lines and meters to most of the 244 lots in the late 1980s, and the Company would prefer to continue not charging installation charges because it believes the administrative costs of refunding the charges outweigh any benefit. Staff Engineering Report at 10.

<sup>43</sup> Staff Engineering Report, Exhibit KS at 4.

<sup>44</sup> Id.

<sup>45</sup> Id.

<sup>46</sup> Id. at 5.

<sup>47</sup> Id. at 6.

<sup>48</sup> Id.

1        48.     Based on the water use data for the test year and the Agreement with the Town, Staff  
2 concluded that Q Mountain has an adequate water supply to serve its current customer base and can  
3 accommodate reasonable growth in the future.<sup>49</sup>

4        49.     Based on an ADEQ Compliance Status Report dated March 19, 2010, Q Mountain is  
5 currently delivering water that meets water quality standards as required by the Arizona  
6 Administrative Code.<sup>50</sup>

7        50.     Staff compiled a list of annual water tests based on ADEQ's monitoring requirements.  
8 Staff recommends that Q Mountain allow an estimated \$630 to cover annual water testing expenses.<sup>51</sup>

9        51.     Q Mountain is not located within an Arizona Department of Water Resources  
10 ("ADWR") Active Management Area.

11       52.     Q Mountain's water system is in compliance with ADWR requirements governing  
12 water providers and/or community water systems.<sup>52</sup>

13       53.     According to Staff, Q Mountain has no outstanding Commission compliance items.<sup>53</sup>

14       54.     Q Mountain has approved back flow prevention and curtailment plan tariffs on file  
15 with the Commission.<sup>54</sup>

16       55.     Because an allowance for property tax expense is included in Q Mountain's rates and  
17 will be collected from its customers, the Commission seeks assurances from Q Mountain that any  
18 taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to  
19 the Commission's attention that a number of water companies have been unwilling or unable to fulfill  
20 their obligation to pay the taxes that were collected from ratepayers, some for as many as twenty  
21 years. It is reasonable, therefore, that as a preventive measure Q Mountain shall annually file, as part  
22 of its annual report, an affidavit with the Utilities Division attesting that the company is current in  
23 paying its property taxes in Arizona.

24 ...

26 <sup>49</sup>Staff Engineering Report, Exhibit KS at 7.

27 <sup>50</sup>Id. at 8.

<sup>51</sup>See discussion above regarding operating expenses.

<sup>52</sup>ADWR Compliance Status Report dated June 14, 2010.

<sup>53</sup>Engineering Report, Exhibit KS at 8.

<sup>54</sup>Id. at 10.

1 Analysis

2 56. As stated in Decision No. 71466, we are appreciative of the Town's willingness to  
3 assist the customers of Q Mountain to remedy a potentially dangerous water quality threat. However,  
4 we expressed concerns over the appropriateness and legality of the Town's imposition of the \$750  
5 assessment on Q Mountain's customers.<sup>55</sup> The Water Supply, Construction, Operation and  
6 Maintenance Agreement Q Mountain has with the Town allows the Town to directly bill and collect  
7 from Q Mountain customers the Water Capacity Fee over a five year period at a rate of \$12.50 per  
8 month, \$150 annually, or by payment in full.<sup>56</sup>

9 57. On February 14, 2011, Staff and Q Mountain were directed to file briefs in this docket  
10 discussing the appropriateness and legal authority of the Town's imposition of the \$750 water  
11 capacity fee and the Town's direct billing of Q Mountain customers.

12 58. Q Mountain and Staff assert that the Town's imposition of the \$750 water capacity fee  
13 is appropriate and within the Town's legal authority.

14 59. In support of their position, Staff and Q Mountain rely on the Quartzsite Town Code  
15 Section 17-1-3(A) and (C) which states:

16 *After February 1996, any property owner within Phase 1 service area shall be*  
17 *required to pay all designated fees including the connection charge. And the*  
18 *actual rates and categories shall be set by resolution which shall be amended*  
*from time to time.*<sup>57</sup>

19 60. Q Mountain directs the Commission's attention to Section 17-2-2 (F) of the Town  
20 Code which states the water system capacity fee provides:

21 *Revenues to assist in the financing and to more equitably distribute the cost of*  
22 *construction of necessary additions to the water system, it is hereby determined*  
23 *and declared necessary to provide for the establishment, exaction and regulation*  
*of a water capacity charge as hereinafter determined, with such charge to be in*  
*addition to any and all other fees which may be imposed with respect to the said*  
*water system.*<sup>58</sup>

24 61. Further, Q Mountain states that by Resolution on February 13, 2001, the Town  
25 adopted the \$750 water system capacity fee for all residential property owner customers.<sup>59</sup>

26 <sup>55</sup> Decision No. 71466 at 7.

27 <sup>56</sup> Q Mountain Data Response dated June 30, 2010, Appendix at 18.

28 <sup>57</sup> Q Mountain Response at 1 and Staff's Supplement to Staff Report at 3.

<sup>58</sup> Id.

<sup>59</sup> Q Mountain Response, Appendix pg. 12

62. The Agreement with the Town provides:

*Town shall be responsible for billing and collecting directly from Town residents residing within Company's certificate of convenience and necessity the Town's Water Capacity Fee imposed by Town on Town residents for the benefits received from the use of the Town's water system to meet the water demands of such Town residents.<sup>60</sup> Further, the Town shall not terminate service to the Company or institute collection activities (beyond rebilling) against Company or Company customers in order to collect the Town's Water Capacity Fee or due to the non-payment thereof.<sup>61</sup>*

63. Article 15 § 3 of the Arizona Constitution provides in relevant part:

*The Corporation Commission shall have full power to, and shall, prescribe just and reasonable classifications to be used and just and reasonable rates and charges to be made and collected, by public service corporations within the State for service render therein, and make reasonable rules, regulations, and orders, by which such corporations shall be governed in the transaction of business with the State... Provided, that incorporated cities and towns may be authorized by law to exercise supervision over public service corporations doing business therein, including the regulation of rates and charges to be made and collected by such corporations.*

64. Q Mountain's customers are Town residents.

65. Based on the above facts, we believe the Town's imposition of the \$750 water capacity fee on residents of the Town is within the Town's authority and is appropriate under the circumstances. We also conclude that Q Mountain has demonstrated that the water capacity fee is not being imposed by Q Mountain in violation of Commission rules and statutes. We also believe that the provision allowing Q Mountain customers to pay the water capacity fee, at a rate of \$12.50 per month, or \$150 annually, or by payment in full, is beneficial to Q Mountain ratepayers.

66. We find Staff's recommendations are reasonable and they should be adopted.

### **CONCLUSIONS OF LAW**

1. Q Mountain is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over Q Mountain and of the subject matter of the Application.

3. Notice of the Application was provided in the manner prescribed by Arizona law.

<sup>60</sup> Q Mountain Response to Data Request dated July 6, 2010, Appendix, Agreement Section 5.4.

<sup>61</sup> Q Mountain Response to Data Request dated July 6, 2010, Appendix, Agreement Section 5.4.1.

4. The rates and charges authorized below are just and reasonable and should be approved without a hearing.

5. Staff's recommendations as set forth herein are reasonable and should be adopted.

### **ORDER**

IT IS THEREFORE ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista Water is hereby directed to file with Docket Control, as a compliance item in this docket, by May 31, 2011, revised rate schedules setting forth the following rates and charges:

#### **MONTHLY USAGE CHARGE:**

5/8" x 3/4" Meter	\$14.00
3/4" Meter	21.00
1" Meter	35.00
1-1/2" Meter	70.00
2" Meter	112.00
3" Meter	210.00
4" Meter	350.00
6" Meter	700.00

#### **COMMODITY RATES:**

(per 1,000 gallons for all usage)

0 to 2,000 gallons	\$2.00
2,000 to 8,000 gallons	3.70
8,001 gallons and over	6.00

#### **SERVICE CHARGES:**

Establishment	\$ 35.00
Establishment (After Hours)	45.00
Reconnection (Delinquent)	50.00
Reconnection (Delinquent and After Hours)	N/A
Meter Test (if correct)	20.00
Deposit	*
Deposit Interest	*
Re-Establishment (Within 12 Months)	**
NSF Check	10.00
Deferred Payment	1.5%***
Meter Re-Read (If Correct)	10.00
Late Fee	N/A

\* Per Commission Rule A.A.C. R14-2-403(B).

\*\* Months off system times the monthly minimum (R14-2-403(D)).

\*\*\* Per month

N/A Not Applicable

IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service provided on and after June 1, 2011.

1 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista  
2 Water shall notify its customers of the rates and charges authorized herein, and their effective date, in  
3 a form acceptable to the Commission's Utilities Division Staff, by means of an insert in the  
4 Company's next regularly scheduled billing.

5 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista  
6 Water shall on a going-forward basis maintain its books and records in accordance with the National  
7 Association of Regulatory Utility Commissioners Uniform System of Accounts.

8 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista  
9 Water shall within 90 days of this Decision file, as a compliance item, with Docket Control a plan  
10 identifying the actions it will take to keep its books and records in accordance with the National  
11 Association of Regulatory Utility Commissioners Uniform System of Accounts.

12 IT IS FURTHER ORDERED that on a going-forward basis Q Mountain Mobile Home Park  
13 dba Q Mountain Vista Water shall adopt and use Staff's recommended depreciation rates as outlined  
14 in Table B of Staff's Engineering Report.

15 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista  
16 Water shall evaluate its water system and prepare a report for corrective measures demonstrating how  
17 it will reduce its water loss to less than 10 percent. The water loss shall be reduced to less than 10  
18 percent by June 1, 2012. If Q Mountain Mobile Home Park dba Q Mountain Vista Water finds that  
19 reduction of water loss to less than 10 percent is not cost effective, it shall submit a detailed cost  
20 analysis and explanation demonstrating why water loss reduction to less than 10 percent is not cost  
21 effective and shall file such report, as a compliance item in this docket, by December 31, 2012.

22 IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges, Q  
23 Mountain Mobile Home Park dba Q Mountain Vista Water shall collect from its customers a  
24 proportionate share of any privilege, sales or use tax per A.C.C. R14-2-409(D).

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1 IT IS FURTHER ORDERED that Q Mountain Mobile Home Park dba Q Mountain Vista  
 2 Water shall continue to file annually, as part of its annual report, an affidavit with the Utilities  
 3 Division attesting that Q Mountain Mobile Home Park dba Q Mountain Vista Water is current in  
 4 paying its property taxes in Arizona.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

7  
 8   
 9 CHAIRMAN

10   
 11 COMMISSIONER

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 14 COMMISSIONER

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 16 COMMISSIONER

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 18 COMMISSIONER

19 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
 20 Executive Director of the Arizona Corporation Commission,  
 21 have hereunto set my hand and caused the official seal of the  
 22 Commission to be affixed at the Capitol, in the City of Phoenix,  
 23 this 27<sup>th</sup> day of MAY, 2011.

24  
 25   
 26 ERNEST G. JOHNSON  
 27 EXECUTIVE DIRECTOR

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1 SERVICE LIST FOR: Q MOUNTAIN MOBILE HOME PARK  
2 dba Q MOUNTAIN VISTA WATER  
3  
4 DOCKET NO. W-02518A-10-0227  
5  
6 Cheryl A. Greenstreet  
7 Q MOUNTAIN MOBILE HOME PARK  
8 dba Q MOUNTAIN VISTA WATER  
9 P.O. Box 4930  
10 Quartzsite, AZ 85359  
11 Janice Alward, Chief Counsel  
12 Legal Division  
13 ARIZONA CORPORATION COMMISSION  
14 1200 West Washington Street  
15 Phoenix, AZ 85007  
16  
17 Steven M. Olea, Director  
18 Utilities Division  
19 ARIZONA CORPORATION COMMISSION  
20 1200 West Washington Street  
21 Phoenix, AZ 85007  
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